

Zhen Ding Technology Holding Limited

Implementation of Emerging Risks in 2022 (Date Updated: July 2023)

In order to comply with the principle of sustainable development and fulfill the responsibilities of citizens of the earth, according to the emerging risk aspects proposed by the World Economic Forum, ESG and international evaluation units, review the risk issues facing the Group's operational impacts and challenges, and will 1. The type of labor force and Structural changes 2. Climate crisis and changes in the natural environment and 3. Threats to the group from changes in international political and economic situations List three key projects and summarize them as long-term emerging risks Continue to pay attention. Review the implementation of risk management in 2022 as follows:

➤ Summary of long-term focus on risks and executive results in 2022

risk factor	control execution plan	Execution situation
Changes in the Model and Structure of the Workforce	<ul style="list-style-type: none"> ● Improve employment conditions and support systems to enhance employee stability. ● Improve employee benefits, provide family member, child, and family care, and improve the work environment. ● Provide comprehensive education and training, increase employee development opportunities, strengthen the emotional connection between employees and the company, and maintain employee enthusiasm for work. ● Provide flexible work arrangements, including the planning and implementation of hybrid office policies. ● Enhance the production capacity and environment of smart manufacturing and intelligent production to reduce dependence on manpower. ● Establish retention policies and increase job rotation opportunities to improve employee retention rate. ● Regularly hold employee care forums/interviews to address specific employee needs. Provide flexible work models or VPN offices when appropriate. 	<ul style="list-style-type: none"> ● Provided comprehensive education and training, increasing the average training hours per person from 48 hours in 2021 to 60 hours in 2022. ● Organized 5,405 cultural events with a total of 922,444 participants, enriching the lives of employees. ● Held 85 employee forums to understand employee needs and make timely improvements. ● Employee seniority allowance is introduced in the retention policy. ● Various parks and plants provide multiple retention and incentive programs. ● Accelerate digital transformation programs and enhance the production capacity and environment of smart manufacturing and intelligent production to reduce dependence on manpower and manpower requirements. ● Develop diverse recruitment channels to meet manpower recruitment needs (such as new media/shared employees). ● Increase the flexibility of VPN offices for various departments.

risk factor	control execution plan	Execution situation
Threats to the Group from Changes in the International Political and Economic Situation	<ul style="list-style-type: none"> ● Set up an investment team to increase the frequency of overseas inspections and target projects. ● The company's employment structure is adjusted, production lines are scattered, and product production locations are adjusted according to customer requirements. The number of workers in overseas factories has increased by 64.5%, resulting in cost increases. ● Increase overseas investment and improve overseas production capacity investment management. ● Due to customs and trade barriers, export restrictions on raw materials and key equipment, the procurement cost of materials and equipment has increased by 8% in the past six months, and 33 new partners have been added to the supply chain. ● The allocation of operating funds is adjusted according to the business development of the Group's various regions. 	<ul style="list-style-type: none"> ● Improve the supporting conditions of employment to improve the stability of employees. ● Increase investment in research, devote to process optimization to reduce costs and improve efficiency, provide technical incentives, and hold more than 5 large evaluation activities. ● Improve the production capacity and environment of smart manufacturing and smart production, and establish smart materials, engineering management systems, and real-time cost control systems to reduce dependence on manpower. ● Specialized personnel in the locations of global factories keep an eye on market trends, track political and economic situations and material trends, and formulate response strategies. ● Expand customer areas and diversify products to diversify risks. ● Establish a raw material supply chain tracking mechanism to accurately grasp the monthly inspection ratio of the source of raw materials by country and report. ● Increase the flexibility of cross-domain and cross-factory support, timely adjust production configuration and capacity expansion plans, etc. in 2022, cross-factory support manpower scheduling exceeds 200 people. ● The finance department and the risk management unit regularly review the risk level limits, bond credit ratings, other relevant economic indicators, and operational risk conditions in various countries and regions to assess the appropriateness of the risk level and use it as a basis for business departments.

risk factor	control execution plan	Execution situation
Climate Crisis and Changes in the Natural Environment	<ul style="list-style-type: none"> ● Review the five key physical risks of climate change: Flood prevention, water resources, lightning protection, strong winds, and temperature are all analyzed and simulation tools are used to formulate responses, according to the natural environment of each site. ● Expand and monitor based on the framework of carbon management. ● Started the phased development planning in conjunction with the data collection of the Group's digital transformation. ● Constantly track recommendations and developments of international organization. 	<ul style="list-style-type: none"> ● Together with our strategic partners in the green supply chain, we promote the five major systems of IPE legal compliance, energy-saving technology exchange, eco-friendly material innovation, management system, and the selection of low-carbon raw materials. ● Continuously promote energy-saving and emission reduction measures, such as the promotion of permanent magnet motors, magnetic levitation chillers, full heat recovery chillers, and compressed air heat recovery. We have actively engaged with various green energy providers in different regions, setting up plans and cooperation models. By 2023, we aim to obtain nearly 100 million kWh of green energy and establish in-house solar power generation. Currently, we have installed 3MW of solar capacity, and we plan to increase it to 5.8MW by 2023. ● Increase the development and utilization of energy storage devices and establish a robust energy storage system. In 2022, we included 85 major suppliers in carbon reduction communication to plan and carry out cooperation projects for energy saving and carbon reduction. We continue to expand the efforts to other suppliers and promote the supply chain carbon reduction plan. ● Planning Zhending's carbon neutral strategy and participate in the southern peninsula forest restoration project.

Facing the impact of long-term risks on the Group's operations, and keeping monitor the response measures and implementation of each business unit to reduce the impact on the Group and continue to move forward for sustainable development.